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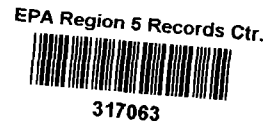
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Spire mired in Irish bank crisis

CASH CRUNCH | Work halts as lender backing 150-story tower seeks rescue from government

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December 26, 2008

BY [DAVID ROEDER](#) Business Reporter/droeder@suntimes.com

A financial scandal in Ireland is posing new trouble for the developer of the Chicago Spire, the proposed 150-story tower on the lakefront.

Anglo Irish Bank Corp., the developer's main lender, faces nationalization by the Irish government to avoid collapse. The bank's stock has lost 98 percent of its value since reaching a high in 2007, and its chairman quit after investigators discovered he would hidden about \$121 million of personal loans he got from the bank.

The bank has specialized in commercial lending and become a symbol of Ireland's boom-and-bust economy. It also had a taste for speculative development overseas. It opened an office in Chicago to handle business here.

For more than a decade, its stock -- now worth just 21 cents a share -- soared on foreign investment and homegrown enthusiasm for construction and property.

Spire developer Garrett Kelleher, executive chairman of Shelbourne Development Ltd., used private funding assurances from Anglo Irish to persuade Mayor Daley's administration to grant zoning approval for the project in 2007. Kelleher had said Anglo Irish's commitment was almost open-ended and required no threshold of condominium sales before it would underwrite construction.

Property records show Shelbourne has drawn \$69.5 million from Anglo Irish for the early stages of construction at 400 N. Lake Shore Drive. But work has been stopped, and Shelbourne has been hit with several liens from contractors -- including one from his own celebrity architect, Santiago Calatrava. Though the building has been marketed almost as a Calatrava artwork, the architect alleges Kelleher owes him \$11.34 million.

Sources said Kelleher has been seeking other investors, either in debt or equity positions, to help get construction restarted. But the world's financial crisis has dried up the supply of money looking for speculative investments.

If Kelleher can't raise money from Anglo Irish, it becomes more likely that he will default or lose control of the project. Shelbourne has said that about a third of the spire's 1,200 condos are under contract, but experts wonder if those buyers will be able to close.

Kelleher and a spokeswoman for Shelbourne could not be reached for comment. An Anglo Irish executive in Chicago declined to comment.

The bank's predicament boils down to bad debts and lost reputation, especially after the disclosure of hidden loans to former chairman Sean FitzPatrick, who resigned Dec. 18.

Irish Finance Minister Brian Lenihan said the government would buy about \$2.1 billion in new-issue Anglo stock, effectively nationalizing the bank because the government would gain a 75 percent stake. The government-owned shares could not be traded.

The bank's new chairman, Donal O'Connor, announced an extraordinary general meeting Jan. 16 to approve the government intervention -- and urged shareholders in a letter Wednesday to accept the government's terms even though their own stock would be heavily diluted.

"The board recognizes and understands the sense of hurt and disappointment that people feel regarding the bank following recent events," O'Connor wrote. "We apologize unreservedly to our customers, employees, shareholders and all other stakeholders for these events and are determined to restore people's trust and confidence in the bank."

But Anglo's shares have continued to fall this week, as Irish, British and American analysts voiced doubts that the bank has revealed the true extent of its exposure to bad debts, currently estimated at \$700 million.

Credit rating agency Standard & Poor's said its officials planned to visit Dublin next month to get a briefing from Anglo directors. The New York agency -- whose ratings influence the interest rates that banks must pay on their borrowings -- said the FitzPatrick scandal "may have a significant impact on Anglo's standing in the marketplace." It expressed "continuing reservations about the long-term viability of Anglo's business model."

Contributing: AP

Irish Government takes control of Anglo Irish and injects €5.5bn into Banks

From One hundred percent mortgage and industry news

Signals Stock Charts: Anglo Irish Bank

From FeedTheBull - Stock Market News

The views expressed in these blog posts are those of the author and not of the Chicago

Sun-Times

digitalgiovanni wrote:

Since all experts agree that times are similar to the great depression, the question becomes. Should we continue this building? How do finish this project with common sense and not leave a gaping hole in our real estate ambitions for Chicago. Forget what Jesus would say, what would Chicago's founding fathers suggest to finish this site.

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ken kunz wrote:

The last thing this city needs is more overpriced housing, or another skyscraper. I hope it never gets built.

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stefan wrote:

I think that Mr. Kelleher will build this Spire. A. It is gutsy to even begin such an undertaking. B. Everyone is affected by the economy and will rise together as it changes for the better. C. His name is on it as is his famous architect. Neither will want their good name to fail permanently. This is just a setback. He will pull it off!

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drjim wrote:

Chicago politicians can hide a lot of c*** in that big hole.

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gold6185 wrote:

Looks like that hole on Lake Shore Drive is gonna be there for a long long long long time.

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